



July 16, 2003

**To:** Telecommunications Executive Governance Committee

**From:** Mountain Telecommunications, Incorporated. (MTI)

MTI is pleased to provide this submittal to the Telecommunications Executive Governance Committee. As instructed, MTI is not submitting a sales pitch or brochures however the following paragraph briefly stating MTI's background is relevant to our submittal.

MTI is the only Arizona based, locally owned Telecommunications Company that exclusively serves the state of Arizona. MTI has been profitable since inception in stark contrast to the financial problems plaguing the telecommunications industry and most local carriers. MTI from its inception has built out to the rural communities of Arizona to bring competitive services and broadband to the rural parts of Arizona in addition to Metro Phoenix & Tucson. (MTI currently provides services from 15 rural wire centers serving over 50 rural Arizona communities) Lastly, MTI currently manages and operates a large government telecommunications entity as part of our contracts with the Salt River Pima-Maricopa Indian Community.

**Recommended Service Delivery Model:**

Upon careful reading of HB2533, section 101, and reflecting on our knowledge of Arizona telecommunications industry and the State's many efforts over the past decades to provide for its telecommunications needs and simultaneously promote telecommunications services availability throughout Arizona; we offer the following reflections as possible next steps for the Telecommunications Executive Governance Committee:

1. Understand the statewide telecommunications "lessons learned"
2. Structure for changes throughout the contract term in both the State's needed services and the expanded abilities of the supplier community – be flexible
3. Believe that cost reductions and improvements in service delivery can be simultaneously obtained
4. Take the necessary steps to make it happen
5. Have the resolve to see the effort through to fruition.

### **Recommended Migration strategies:**

MTI has been on the “outside looking in” for the past several years; in that we do not have a statewide blanket contract to deliver carrier services to Arizona’s public sector. Even so, we have been students of the State’s methods of procuring carrier and related telecommunications services. We have also been successful in winning many individual RFPs and IFBs for local government and K-12 educational organizations. Based on this experience and our vision of expanded broadband and related telecommunications throughout Arizona, we offer the following migration strategy for your consideration:

1. Be quick - use what works. Don’t reinvent everything
2. Add to the current supplier mix those new providers that provide better cheaper services to more locations throughout Arizona
3. Make sure that all the providers can compete for all the State’s telecommunications needs – don’t establish artificial boundaries
4. Add incentives so that the many buyers that represent all state, local and educational institutions can make independent decisions that aggregate the total buying power of Arizona’s public sector, and that provide for common discounts to all those participating buyers
5. Have some independent organization (preferably a contractor) that manages both the buyers and the sellers. Make sure that such an organization is not one of the underlying providers of telecommunications services, but is at “arms length” to all the underlying providers

### **Recommended Cost Saving Measures:**

MTI has participated in a large number of public and private sector decision situations where the buyers desire to obtain the necessary carrier services at reasonable prices. We often see these buyers at cross-purposes to each other. As long as they operate autonomously this approach works for each of them. As a provider we see opportunities for optimization, if the buyers were more coordinated. We understand that each buyer has differing fund sources, timeframes and other constraints. Thus it would be impossible in a single leap for all of them to synchronize their telecommunications needs. But, phased over a period of time and with proper coordination, these many buyers (agencies, local government and K-12s) can act both in their better interest and to provide the revenue stability for carriers (like ourselves) to build additional telecommunications capabilities – including rural broadband infrastructure.

We additionally want to really emphasize to your committee that carrier services are all standards based and have become very similar from one provider to the next. That said, the State would be better served to select its telecommunications needs based primarily



on price and availability. Based on our understanding of the 50 to 60 million the State of Arizona spends each year, we believe a 5 million to 8 million (10% to 15%) savings is easily attainable.

Once the various public sector organizations have selected their carrier services, they will be invoiced. Carrier invoicing varies significantly more than do the services that carrier provide and Carrier billing practices have become increasingly complex and difficult for customers to decipher. We have found that simple detailed billing of only those charges that our customers ordered is the best approach. We believe that we are generally unique in this regard. Therefore an additional cost saving measure would be the simplification of billing and reduction of required oversight.

As Arizona's only local telecommunications carrier headquartered in Arizona, MTI is uniquely positioned to assist in The State of Arizona in many areas of Telecommunications. We would be pleased to participate in future discussions with this governance committee or other entities as requested.

Respectfully Submitted,

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